



# Commission Meeting

JANUARY 7<sup>TH</sup>, 2025



## Commission Meeting Agenda

January 7<sup>th</sup>, 2025

Chair J. Hart	—	Commissioner J. Bayliss	—
Commissioner J. Stokes	—	Commissioner J. Babich	—
Commissioner J. Sandstede	—	Legal Counsel A. Borland	—
General Manager L. Peterson	—	Auditors Abdo, LLP	—
Utility Operations S. Dickinson	—	Energy & Pricing P. Plombon	—
Customer Ser. & Finance J. Zallar	—	Admin & Comm E. Dixon	—
Electrical Operations S. Adams	—	Local 94 President Rich Kampsula	—

### 1. Management Updates: December 2024

- Samantha Adams – Electrical Operations Director
- Jill Zallar – Finance & Customer Service Supervisor
- Stefanie Dickinson – Utility Resource Manager
- Paul Plombon – Manager of Power Supply

### 2. Rate Study Presentation





## Item 1 – HPU Management Updates



Item 1 – HPU Management Updates

January 7<sup>th</sup>, 2025

Jeff Hart, Chairman  
Hibbing Public Utilities Commission  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 1 – Management Updates

Dear Commissioners;

Please find attached for your reviewal the HPU Managerial Updates for the month of December, 2024. Members of the management team will be present at the Working Session to provide updates and answer questions from Commissioners.

Sincerely;



Luke J. Peterson





## December Monthly Highlights

### ELECTRICAL DISTRIBUTION

The line crew continued to build the last new services up to our new year.

We shift to maintenance for a few weeks until our voltage conversion project starts. The plan is to catch up on more light repairs, review vendor offers to send surplus transformers out, and scope 2025's vegetation control areas.

It was a quiet month for outages. There were few single service outages and one significant weather event that interrupted service to approximately 1,500 ratepayers. The cause, tree down on primary wire, was quickly identified and services restored to all in under 2 hours. Our crew response is always impressive.

Line Ops leaders attended the MMUA T&O Conference. This year's theme "Safer Together" featured speakers for topics such as safety, building a customer service culture, a tradeshow, and round tables about supply chain and more.

In December we held interviews for a line apprentice. We had a great response with many applicants. Line Ops leaders are looking forward to onboarding to our crew as we start the new year.

### SUBSTATION PROJECTS

Work continues at both substation project sites. We had feedback confirming transformers are tracking to deliver on time. We should see delivery and install by or in March. There have been some interruptions to our original plan and schedule for the project but it is still tracking to be in service on time.

### HIGHWAY 169 FEEDER REBUILD

A portion of our feeder parallel to Highway 169 before the Mitchell Bridge was identified to be needing emergent remediation. There is a segment of over 10 poles that are in bad order and significantly leaning. We determined the reconstruction will be converted from overhead to underground and relocated to the south side of the highway. The existing pole line is built just outside of the rail right of way and in poor soil conditions. Converting to underground will provide ease for any future maintenance or replacement. The MNDot permit is approved and being written. We should see that back within January. Design and engineering are complete. Work will be planned and scheduled for Q2 of 2025.





## December Monthly Highlights

### *Finance*

Staff is working on year end reporting and preparing for the audit. Travis is moving within the company so we are advertising for a Finance Coordinator.

### *Utility Billing*

End of year processes within our software will happen after the .net framework upgrade to 4.8 on January 02, 2025. Once this upgrade is complete, Casselle will perform their update.

### *Customer Service*

Staff continues to work with customers answering questions, taking utility payments, applications, and processing information requests.

### December

	Total for month
Calls	1704
In office traffic	1010
Disconnections mailed	1011
Actual disconnections	
Electric	14
Other	2

### *Lead Service Inventory*

The Lead service inventory still continues. Changes by the MDH will include inventory of the fittings, in addition to the service lines. Although the data isn't required for a few years, we are collecting this now. This avoids going back into homes in the future.

Inspection requests from residents have slowed down to a couple a week.

### *Metering*

Water meters are being installed by our staff each week. We are still working on finalizing the details that the gas and electric meters need for communication, and to ensure those measures do not limit us into the future, with EPE engineers, Core and Main, and Groebner all working together to ensure our needs are met.

<b>AMI - as 12/30/2024</b>	
<b>Water Meters Total-R</b>	<b>6165</b>
Upgraded to AMI	3227
Radio Reader installed	50
<b>REMAINING</b>	<b>2938</b>

### *Warehouse*

Inventory has been completed. New materials continue to come in for future projects and Tom does an excellent job keeping things tidy and organized in the warehouse. Greatly appreciate his hard work and dedication.

### *Looking Forward*

2024 is coming to the end, looking forward to 2025.



## MONTHLY UTILITY RESOURCES UPDATE

### HUMAN RESOURCES UPDATES

Staff had an update meeting with Abdo regarding the Comp and Class Study. Abdo continues to analyze requested data from HPU and have begun to solicit salary, benefit and organizational data from other utilities.

Interviews took place for the Lineman apprentice posting in late December, staff will be making a recommendation to hire at the next Commission meeting.

The Accounting Analyst vacancy was posted with a deadline to apply of January 16<sup>th</sup>.

Year end reconciliations for payroll and benefits is going well and will continue into the new year.

### SAFETY UPDATES

There was one injury and no incidents in the month of December.

#### **MMUA Safety Training Topics for 2025:**

January - Walking/Working Surfaces

February – CPR with AED

March – Commercial DOT rules and regulations and Drug and Alcohol Policy training

April – Hot Sticks and Ground Testing; Heat Awareness Training

May – Temporary Traffic Control

June - Fall Protection Safety Training with Pole Top and Hurtman qualification

July - ERTK, BBP, and Dog Bites

August - Driving Safety (Minnesota Safety Council Demo)

September - Hearing Conservation

October - Safety Culture

November - TBD

December - Yearend review and Meth Lab Awareness

### FACILITIES UPDATES

Staff continues to work with our HVAC vendor on heating solutions at the Admin building. Annual maintenance and multiple repairs and modifications to control settings have taken place over the last couple months.

Bids are due for the Window Replacement Project at the Admin building in January. In Q1 of 2025 staff will collaborate with Widseth on planning for a HVAC project at the Admin Building and Masonry work at the Power Plant.

### IT UPDATES

Hardware replacements at the Admin Building were completed seamlessly. A final cutover is scheduled end of January. The hardware project included new servers, switches and power supply back up.

### ADDITIONAL UTILITY RESOURCES UPDATES

Travis Marsh, our newly appointed Safety and Human Resources Coordinator has begun to learn some of his new job tasks and will continue to support our accounting group as well until a replacement is hired and trained.

This year, our Utility Resources team have focused on enhancing employee engagement, fostering a culture of continuous learning, recruiting and retaining top talent and reviewing and updating HPU policies and procedures.

Safety remains a priority at HPU. This year, we have made substantial progress in ensuring a safe and productive working environment for all employees.

**Thank you to the Commission for your continuous support and dedication to serving our ratepayers and the entire Community. Happy New Year!**





## Hibbing Renewable Energy Center

### Operations

HREC is currently operating with one turbine. Turbine 6 is running while supplying the city's heat load with other turbines as backup. Boilers 2 & 3 are splitting the steam load.

### Monthly Highlights

HREC has been diligently working on Boiler 4's ID fan to ideally have it back online in the early part of January. Once Boiler 4 is ready to light off we intend to do so and return one of the two other boilers to a ready status. TG 5's SRVs have been replaced with new upgraded models which should remove the old tri-spring reliefs from the FM Global hit list. Modifications were made to the SRV project which will require a new as built print to be delivered by Barr Engineering. The City of Hibbing's compost bin was also ground up providing around a day's worth of fuel from trees and deadfall that in the past has typically been set on fire to dispose of.

### Upcoming Schedule

#### January:

- Blowdown Piping order placements
- Complete Boiler 4 ID fan work
- Complete TG 3 Rotor Repair
- Prepare for FM Global Inspection
- TG 5 SRV blueprint revisions
- Tuning of TG 5 & 6
- Arrival of boiler feedwater pump
- Ongoing FEMA Applications
- Return of #4 Circ pump from GPM

#### February:

- Removal of #5 Circ Pump
- RATAs
- RO Pump Replacement
- Potential for Urge Test
- Begin Prep for Boiler RATAs

### Heat Crew

HPU Heat Crew located and isolated a gas service leak on a local business that could have been a catastrophic event had it been left any longer as it was outside of a kitchen area. We are also working on year end reports for various MNOPS and government entities.

### Notable Projects

#### Removal of TG 5 Tri-Spring SRV



#### New SRV Piping Boiler 4 ID Fan



#### Bearing Installing



#### Christmas at HREC









## Item 2



Item 2 – Rate Study Presentation

January 7<sup>th</sup>, 2025

Jeff Hart, Chairman  
Hibbing Public Utilities Commission  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 2 – Rate Study Presentation

Dear Commissioners;

Please find attached for your review a draft copy of the Forecasted Electric, Gas, Steam, and Water Revenue Requirement, Cost of Service, and Rate Design Study. Baker Tilly representative Russ Hissom will be at the working session to present the findings and recommendations of the study, as well as answer any questions of the Commissioners.

Sincerely;



Luke J. Peterson



# **HIBBING PUBLIC UTILITIES**

Forecasted Electric, Gas, Steam, and Water  
Revenue Requirement, Cost of Service, and Rate Design

Prepared as of  
January 2, 2025

DRAFT

**HIBBING PUBLIC UTILITIES  
ELECTRIC, GAS, STEAM, AND WATER RATE STUDY**

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ELECTRIC, GAS, STEAM, AND WATER RATE STUDY**

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# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## EXECUTIVE SUMMARY

### *Introduction*

The Hibbing Public Utilities retained Baker Tilly Advisory Group (Baker Tilly) to forecast the revenue requirement for fiscal years 2024 - 2029, analyze cost of service, and design rates for the electric, gas, steam, and water utilities.

Baker Tilly based the studies for each utility using industry methods in analyzing the cost of service for each utility and designing customer rates. Note this report is not considered a financial forecast as defined by the American Institute of Certified Professional Accountants (AICPA) standards, rather it is a consulting engagement.

### *Rate study methodology and rate design philosophy*

A utility rate study is used to determine the costs of providing service to customers and design customer rates to recover those costs. A study consists of three main steps:

1. Determine the revenue requirement, which includes operation and maintenance expenses, capital outlay, and debt service.
2. Prepare a cost of service analysis to allocate the revenue requirement to each customer class based on their consumption of the various services.
3. Design rates that recover the revenue requirement.

Rates are designed to recover the full cost of service over a 5-year phase in for each utility, but revenues from each customer class may exceed or fall short of their cost of service. Utilities have decades of history embedded in their rate structures and sudden changes in rates are not part of the fundamentals of rate design. Rate principles commonly followed in the utility industry include:

1. **Revenue Sufficiency:** Rates should generate enough revenue to cover the utility's total cost of service, including a reasonable return on investment.
2. **Fairness:** Rates should be fair and equitable, ensuring that no customer class is unduly burdened or favored.
3. **Efficiency:** Rates should promote the efficient use of resources and encourage conservation where appropriate.
4. **Simplicity:** Rate structures should be simple and understandable to customers, facilitating ease of administration and compliance.
5. **Stability:** Rates should provide revenue stability for the utility and rate stability for customers, avoiding frequent or drastic changes.
6. **Reflective of Costs:** Rates should reflect the cost of providing service to different customer classes, ensuring that each class pays its fair share.
7. **Non-Discrimination:** Rates should not discriminate against any customer or group of customers.
8. **Public Acceptability:** Rates should be acceptable to the public and policymakers, balancing economic and social objectives.

A key principle of rate design is to ensure smooth transitions and avoid undue rate shock, i.e. rates should be adjusted incrementally and steadily rather than through abrupt changes. This is the approach taken in designing the proposed rates in this study.

The specific analysis and rate recommendations for each utility are discussed separately in this report.



# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## Electric Utility

### *Revenue requirement*

The revenue requirement identifies the necessary customer revenues to operate the utility for a specified period. The period of the revenue requirement is Fiscal Years (FY) 2025 – 2029.

The revenue requirement for FY 2025 – 2029 is shown in the following table:

**Table 1 – Electric Revenue Requirement FY 2025 – 2029**

	2025	2026	2027	2028	2029
Operation and maintenance	\$ 17,399,816	\$ 17,834,811	\$ 18,280,681	\$ 18,737,698	\$ 19,206,141
Depreciation	3,270,418	3,270,418	3,270,418	3,270,418	3,270,418
Amortization of deferred outflow - LEA	43,344	43,344	43,344	40,214	-
Return on Ratebase	3,080,084	2,916,563	2,753,042	2,589,522	2,426,001
Total Revenue Requirement	<u>\$ 23,793,662</u>	<u>\$ 24,065,136</u>	<u>\$ 24,347,486</u>	<u>\$ 24,637,852</u>	<u>\$ 24,902,559</u>

The revenue requirement remains fairly stable for the forecast period. Expenses are increased at the rate of inflation. We recommend that HPU adopt a floating electric cost adjustment (ECA) to offset fluctuations in purchased power and generation costs per unit above or below the base cost of purchased power and generation in this study, which is \$0.08400/kWh.

### *Operating income and return on ratebase*

Utilities should achieve a rate of return on their rate base that is close to their cost of capital. Achieving this return ensures that cash flows can cover operating expenses, fund asset replacements through depreciation, service debt, and address inflationary increases in the historical cost of assets since their initial installation. Consistently earning less than the utility's cost of capital will gradually (or quickly) erode the utility's ability to maintain reliable service for customers.

A benchmark rate of return of 5% was used in developing the revenue requirement. The rate of return is based on the calculation - Net Book Value of Fixed Assets times Cost of Capital. The Cost of Capital used is 5%, which equates to a balance of the current Fed Funds Rate and a return on equity. The monies collected in rates for the return on ratebase are used to cover inflationary increases in the cost of plant assets recovered through depreciation, as depreciation is based on the asset's cost in the year it was installed. The rate of return also provides funds to pay debt service.

The forecasted operating income and return on ratebase for FY 2025 – 2029 is shown in the following table. The forecast revenues are based on the recommended rate changes in Table 4.

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

**Table 2 – Electric Operating Income and Return on Ratebase FY 2025 – 2029**

	Forecasted				
	2025	2026	2027	2028	2029
<b>Operating Revenues</b>					
Customer revenues	\$ 19,829,359	\$ 20,870,493	\$ 21,967,849	\$ 23,124,462	\$ 24,343,531
Other operating revenues	516,616	516,616	516,616	516,616	516,616
<b>Total Operating Revenues</b>	<b>\$ 20,345,975</b>	<b>\$ 21,387,109</b>	<b>\$ 22,484,465</b>	<b>\$ 23,641,078</b>	<b>\$ 24,860,148</b>
<b>Expenses</b>					
Operation and maintenance	\$ 17,399,816	\$ 17,834,811	\$ 18,280,681	\$ 18,737,698	\$ 19,206,141
Depreciation	3,270,418	3,270,418	3,270,418	3,270,418	3,270,418
Amortization of deferred outflow - LEA	43,344	43,344	43,344	40,214	-
<b>Total Operating Expenses</b>	<b>\$ 20,713,578</b>	<b>\$ 21,148,573</b>	<b>\$ 21,594,443</b>	<b>\$ 22,048,330</b>	<b>\$ 22,476,559</b>
<b>Operating Income</b>	<b>\$ (367,603)</b>	<b>\$ 238,536</b>	<b>\$ 890,022</b>	<b>\$ 1,592,747</b>	<b>\$ 2,383,589</b>
<b>Net Investment Ratebase</b>	<b>\$ 61,601,684</b>	<b>\$ 58,331,266</b>	<b>\$ 55,060,848</b>	<b>\$ 51,790,430</b>	<b>\$ 48,520,012</b>
<b>Rate of Return</b>	<b>-0.60%</b>	<b>0.41%</b>	<b>1.62%</b>	<b>3.08%</b>	<b>4.91%</b>

## Cost of service analysis

The cost of service analysis was based on industry standards in allocating costs based on customer load curves. The cost of service detail is shown in the electric rate model used to prepare this study. The results of the cost of service analysis shows that revenues from current rates are 23.85% below the cost of service. This varies by customer class as shown in the following table:

**Table 3 – Electric Cost of Service Analysis**

	Rate Classes								
	Forecasted 2025	Residential and Senior Discount	Residential Water Heating and Electric Heat	General Service	Commercial - Small Power Service	Commercial - Power Service Rate	Commercial - Large Power Service	Security Lighting	Municipal Service Rate
Total Revenue Required	\$ 23,324,518	\$ 7,750,714	\$ 2,294,459	\$ 1,195,167	\$ 3,765,226	\$ 6,274,598	\$ 1,404,561	\$ 81,007	\$ 558,786
Revenue Forecast at Present Rates	18,833,444	4,797,558	3,452,923	673,957	2,767,977	5,470,668	1,130,007	22,826	517,528
Rate Change Required	\$ 4,491,074	\$ 2,953,156	\$ (1,158,464)	\$ 521,210	\$ 997,249	\$ 803,930	\$ 274,554	\$ 58,181	\$ 41,258
Percent Change Required	23.85%	61.56%	-33.55%	77.34%	36.03%	14.70%	24.30%	254.89%	7.97%

## Proposed rate increases

To move towards the cost of service, the recommended overall annual rate increases are shown in the following table:

**Table 4 – Recommended Rate Increases – Electric**

Year	Rate Adjustment
2025	5.40%
2026	5.40%
2027	5.40%
2028	5.40%
2029	5.40%

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## *Customer rate comparisons at the proposed rates*

The following table shows the dollar and percentage changes in monthly customer bills at various levels of electric usage using the proposed rates in the previous table:

**Table 5 – Customer Rate Comparison at FY 2025 – 2029 Proposed Rates - Electric**

Rate Class	Monthly Consumption (Average)	Bill at Current Rates	Proposed 2025 Rates			Proposed 2026 Rates			Proposed 2027 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential and Senior Discount	53	\$ 19.75	\$ 20.81	\$ 1.07	5.40%	\$ 21.94	\$ 2.19	11.09%	\$ 23.12	\$ 3.37	17.09%
Res Water Heating & Electric Heat	63	\$ 21.15	\$ 22.29	\$ 1.14	5.40%	\$ 23.49	\$ 2.35	11.09%	\$ 24.76	\$ 3.61	17.09%
General Service	68	\$ 22.60	\$ 23.82	\$ 1.22	5.40%	\$ 25.10	\$ 2.51	11.09%	\$ 26.46	\$ 3.86	17.09%
Commercial - Small Power Service	312	\$ 78.58	\$ 82.82	\$ 4.24	5.40%	\$ 87.30	\$ 8.72	11.09%	\$ 92.01	\$ 13.43	17.09%
Commercial - Power Service Rate	3,087	\$ 523.95	\$ 552.25	\$ 28.29	5.40%	\$ 582.07	\$ 58.11	11.09%	\$ 613.50	\$ 89.55	17.09%
Commercial - Large Power Service	9,338	\$ 1,298.77	\$ 1,368.90	\$ 70.13	5.40%	\$ 1,442.82	\$ 144.05	11.09%	\$ 1,520.74	\$ 221.97	17.09%
Security Lighting	1	\$ 14.25	\$ 15.02	\$ 0.77	5.40%	\$ 15.83	\$ 1.58	11.09%	\$ 16.68	\$ 2.44	17.09%
Municipal Service Rate	286	\$ 74.33	\$ 78.35	\$ 4.01	5.40%	\$ 82.58	\$ 8.24	11.09%	\$ 87.04	\$ 12.70	17.09%

Rate Class	Monthly Consumption (Winter or Average)	Current Rates	Proposed 2028 Rates			Proposed 2029 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential and Senior Discount	53	\$ 19.75	\$ 24.37	\$ 4.62	23.4%	\$ 25.69	\$ 5.94	30.1%
Res Water Heating & Electric Heat	63	\$ 21.15	\$ 26.10	\$ 4.95	23.4%	\$ 27.51	\$ 6.36	30.1%
General Service	68	\$ 22.60	\$ 27.89	\$ 5.29	23.4%	\$ 29.39	\$ 6.80	30.1%
Commercial - Small Power Service	312	\$ 78.58	\$ 96.98	\$ 18.40	23.4%	\$ 102.22	\$ 23.64	30.1%
Commercial - Power Service Rate	3,087	\$ 523.95	\$ 646.63	\$ 122.68	23.4%	\$ 681.55	\$ 157.59	30.1%
Commercial - Large Power Service	9,338	\$ 1,298.77	\$ 1,602.86	\$ 304.09	23.4%	\$ 1,689.41	\$ 390.64	30.1%
Security Lighting	1	\$ 14.25	\$ 17.59	\$ 3.34	23.4%	\$ 18.54	\$ 4.29	30.1%
Municipal Service Rate	286	\$ 74.33	\$ 91.74	\$ 17.40	23.4%	\$ 96.69	\$ 22.36	30.1%

The recommended electric rates for FY 2025–2029 are detailed in Appendix A.

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## Gas Utility

### *Revenue requirement*

The revenue requirement identifies the necessary customer revenues to operate the gas utility for FY 2025 – 2029.

The revenue requirement for FY 2025 – 2029 is shown in the following table:

**Table 6 – Gas Revenue Requirement FY 2025 – 2029**

	2025	2026	2027	2028	2029
Operation and Maintenance - Purchased Gas	\$ 4,136,809	\$ 4,240,000	\$ 4,346,000	\$ 4,455,000	\$ 4,566,000
Other Operation and Maintenance Expense	1,129,091	1,157,000	1,186,000	1,216,000	1,246,000
Depreciation	305,921	305,921	305,921	305,921	305,921
Return on Ratebase	213,491	198,195	182,899	167,603	152,307
<b>Total Revenue Requirement</b>	<b>\$ 5,785,312</b>	<b>\$ 5,901,116</b>	<b>\$ 6,020,820</b>	<b>\$ 6,144,524</b>	<b>\$ 6,270,228</b>

The revenue requirement increases slightly over the forecast period, with inflationary increases in operating expenses and purchased gas. We recommend that HPU adopt a floating purchased gas adjustment to offset any purchased gas cost per unit above or below the base cost of gas in this study, which is \$0.50807/CCF.

### *Operating income and return on ratebase*

A benchmark rate of return of 5% was used in developing the revenue requirement. A 5% return is based on the cost of debt and equity as of the date of this report.

The forecasted operating income and return on ratebase for FY 2025 – 2029 is shown in the following table. The forecast revenues are based on the recommended rate changes in Table 9.

**Table 7 – Gas Operating Income and Return on Ratebase FY 2025 – 2029**

	Forecasted				
	2025	2026	2027	2028	2029
<b>Operating Revenues</b>					
Customer Revenues	\$ 7,410,220	\$ 7,109,329	\$ 6,821,979	\$ 6,547,559	\$ 6,285,488
PGA	-	-	-	-	-
<b>Total Operating Revenues</b>	<b>\$ 7,410,220</b>	<b>\$ 7,109,329</b>	<b>\$ 6,821,979</b>	<b>\$ 6,547,559</b>	<b>\$ 6,285,488</b>
<b>Expenses</b>					
Operation and Maintenance - Purchased Gas	4,136,809	4,240,000	4,346,000	4,455,000	4,566,000
Other Operation and Maintenance Expense	1,129,091	1,157,000	1,186,000	1,216,000	1,246,000
Depreciation	305,921	305,921	305,921	305,921	305,921
<b>Total Operating Expenses</b>	<b>5,571,821</b>	<b>5,702,921</b>	<b>5,837,921</b>	<b>5,976,921</b>	<b>6,117,921</b>
<b>Operating Income</b>	<b>\$ 1,838,399</b>	<b>\$ 1,406,408</b>	<b>\$ 984,058</b>	<b>\$ 570,638</b>	<b>\$ 167,567</b>
<b>Net Investment Ratebase</b>	<b>\$ 4,269,817</b>	<b>\$ 3,963,896</b>	<b>\$ 3,657,975</b>	<b>\$ 3,352,054</b>	<b>\$ 3,046,133</b>
<b>Rate of Return on Ratebase</b>	<b>43.06%</b>	<b>35.48%</b>	<b>26.90%</b>	<b>17.02%</b>	<b>5.50%</b>

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

Gas revenues will continue to decrease annually until FY 2029, at which point a 5% return on the rate base is achieved.

## ***Cost of service analysis***

The cost of service analysis was based on industry standards in allocating costs based on customer consumption. The cost of service detail is shown in the gas rate model used to prepare this study. The results of the cost of service analysis shows that revenues from current rates are 21% above the cost of service. This varies by customer class as shown in the following table:

**Table 8 – Gas Cost of Service Analysis**

		Rate Classes				
	Forecasted 2025	Residential	Residential Heat	Commercial	Commercial Heat	Interruptible
<b>Total Revenue Required</b>	\$ 5,801,669	\$ 161,766	\$ 2,998,569	\$ 462,958	\$ 2,021,007	\$ 157,370
<b>Revenue Forecast at Present Rates (A)</b>	7,410,220	232,090	3,962,205	567,531	2,482,475	165,918
<b>Rate Change Required</b>	\$ (1,608,551)	\$ (70,324)	\$ (963,636)	\$ (104,573)	\$ (461,468)	\$ (8,548)
<b>Percent Change Required</b>	<u>-21.71%</u>	<u>-30.30%</u>	<u>-24.32%</u>	<u>-18.43%</u>	<u>-18.59%</u>	<u>-5.15%</u>

**HIBBING PUBLIC UTILITIES  
ELECTRIC, GAS, STEAM, AND WATER RATE STUDY**

***Proposed rate changes***

To move towards the cost of service, the recommended overall annual rate decreases are shown in the following table:

**Table 9 – Recommended Rate Decreases - Gas**

<b>Year</b>	<b>Rate Adjustment</b>
<b>2025</b>	-4.50%
<b>2026</b>	-4.50%
<b>2027</b>	-4.50%
<b>2028</b>	-4.50%
<b>2029</b>	-4.50%

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# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## *Customer rate comparisons at the proposed rates*

The following table shows the dollar and percentage changes in monthly customer bills at various levels of natural gas consumption using the proposed rate changes in the previous table:

**Table 10 – Customer Rate Comparison at FY 2025 – 2029 Proposed Rates - Gas**

Rate Class	Monthly Consumption (Average)	Current Rates	Proposed 2025 Rates			Proposed 2026 Rates			Proposed 2027 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential	40	\$ 46.92	\$ 45.29	\$ (1.63)	-3.47%	\$ 43.74	\$ (3.18)	-6.78%	\$ 42.26	\$ (4.67)	-9.94%
Residential Heat	75	\$ 78.59	\$ 75.54	\$ (3.05)	-3.88%	\$ 72.62	\$ (5.97)	-7.59%	\$ 69.84	\$ (8.75)	-11.14%
Commercial	386	\$ 366.12	\$ 350.33	\$ (15.79)	-4.31%	\$ 335.24	\$ (30.88)	-8.43%	\$ 320.84	\$ (45.28)	-12.37%
Commercial Heat	535	\$ 501.89	\$ 479.98	\$ (21.90)	-4.36%	\$ 459.07	\$ (42.82)	-8.53%	\$ 439.09	\$ (62.80)	-12.51%
Interruptible	9,274	\$ 7,236.25	\$ 6,913.27	\$ (322.98)	-4.46%	\$ 6,604.83	\$ (631.42)	-8.73%	\$ 6,310.26	\$ (925.98)	-12.80%

  

Rate Class	Monthly Consumption (Winter or Average)	Current Rates	Proposed 2028 Rates			Proposed 2029 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential	40	\$ 46.92	\$ 40.84	\$ (6.08)	-13.0%	\$ 39.49	\$ (7.44)	-15.8%
Residential Heat	75	\$ 78.59	\$ 67.18	\$ (11.41)	-14.5%	\$ 64.64	\$ (13.95)	-17.7%
Commercial	386	\$ 366.12	\$ 307.08	\$ (59.04)	-16.1%	\$ 293.95	\$ (72.18)	-19.7%
Commercial Heat	535	\$ 501.89	\$ 420.01	\$ (81.88)	-16.3%	\$ 401.79	\$ (100.10)	-19.9%
Interruptible	9,274	\$ 7,236.25	\$ 6,028.95	\$ (1,207.29)	-16.7%	\$ 5,760.31	\$ (1,475.94)	-20.4%

The recommended gas rates for FY 2025–2029 are detailed in Appendix B.

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## Steam Utility

### *Revenue requirement*

The revenue requirement identifies the necessary customer revenues to operate the steam utility for FY 2025 – 2029. As steam is a by-product of electric generation, it provides a financial benefit to the electric utility. The steam generation expense is an allocation of overall electric generation costs. The allocation is based on an annual evaluation by an independent engineering firm. The steam generation cost allocation is 39% of total electric generation expense for the FY 2025 – 2029 period.

The revenue requirement for FY 2025 – 2029 is shown in the following table:

**Table 11 – Steam Revenue Requirement FY 2025 – 2029**

	Forecasted				
	2025	2026	2027	2028	2029
Operation and maintenance expenses	\$ 2,823,700	\$ 2,894,000	\$ 2,966,000	\$ 3,040,000	\$ 3,116,000
Capital additions	9,450	-	-	-	-
<b>Total Revenue Requirement</b>	<b>\$ 2,833,150</b>	<b>\$ 2,894,000</b>	<b>\$ 2,966,000</b>	<b>\$ 3,040,000</b>	<b>\$ 3,116,000</b>

The revenue requirement is based on the cash basis, where rates are set to recover operation and maintenance expenses and routine capital additions. This will lead to operating losses, but rates are set at a level to be cash flow neutral, meaning the costs of operating the steam utility are recovered.

### *Cash flows*

The forecasted sources and uses of cash are shown in the following table. The forecast revenues are based on the recommended rate changes in Table 14.

**Table 12 – Steam Sources and Uses of Cash FY 2025 – 2029**

	Forecasted				
	2025	2026	2027	2028	2029
<b>Sources of cash</b>					
Customer sales	\$ 2,684,810	\$ 2,778,779	\$ 2,876,036	\$ 2,976,697	\$ 3,080,882
Other operating revenues	50,000	50,000	50,000	50,000	50,000
<b>Total Sources of Cash</b>	<b>\$ 2,734,810</b>	<b>\$ 2,828,779</b>	<b>\$ 2,926,036</b>	<b>\$ 3,026,697</b>	<b>\$ 3,130,882</b>
<b>Uses of Cash</b>					
Operation and maintenance expenses	2,823,700	2,894,000	2,966,000	3,040,000	3,116,000
Capital additions	9,450	-	-	-	-
<b>Total Uses of Cash</b>	<b>2,833,150</b>	<b>2,894,000</b>	<b>2,966,000</b>	<b>3,040,000</b>	<b>3,116,000</b>
<b>Net Cash Flows</b>	<b>\$ (98,340)</b>	<b>\$ (65,221)</b>	<b>\$ (39,964)</b>	<b>\$ (13,303)</b>	<b>\$ 14,882</b>

The recommended steam rates brings the net cash flows of the utility to nearly zero in FY 2029, as the sources of cash will meet the uses of cash needed.



# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## *Cost of service analysis*

The cost of service analysis was based on industry standards in allocating costs based on customer steam consumption. The cost of service detail is shown in the steam rate model used to prepare this study. The results of the cost of service analysis shows that revenues from current rates are 7% below the cost of service on a cash basis. This varies by customer class as shown in the following table:

**Table 13 – Steam Cost of Service Analysis**

	Forecasted 2025	Rate Classes						
		Residential	Commercial	Hospital	School	Lee Center	Housing & Devel	Steam - Live
<b>Total Revenue Required</b>	2,773,700	1,234,986	715,932	205,981	403,189	42,264	87,873	83,475
<b>Revenue Forecast at Present Rates</b>	2,594,020	1,193,797	677,502	176,072	357,854	39,280	81,665	67,851
<b>Rate Change Required</b>	\$ 179,680	\$ 41,189	\$ 38,429	\$ 29,910	\$ 45,335	\$ 2,984	\$ 6,208	\$ 15,625
<b>Indicated Rate Change</b>	6.93%	3.45%	5.67%	16.99%	12.67%	7.60%	7.60%	23.03%

## *Proposed rate changes*

To move towards the cost of service, the recommended overall annual rate increases are shown in the following table:

**Table 14 – Recommended Rate Increases - Steam**

Year	Rate Adjustment
<b>2025</b>	3.50%
<b>2026</b>	3.50%
<b>2027</b>	3.50%
<b>2028</b>	3.50%
<b>2029</b>	3.50%

These annual rate increases will move the steam utility to positive cash flows in FY 2029 and keep pace with the rate of inflation for operation and maintenance expenses.

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## Customer rate comparisons at the proposed rates

The following table shows the dollar and percentage changes in monthly customer bills at various levels of steam consumption using the proposed rate changes in the previous table:

**Table 15 – Customer Rate Comparison at FY 2025 – 2029 Proposed Rates - Steam**

Rate Class	Monthly Consumption (Winter or Average)	Current Rates	Proposed 2025 Rates			Proposed 2026 Rates			Proposed 2027 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential	10	\$ 208.00	\$ 215.28	\$ 7.28	3.50%	\$ 222.81	\$ 14.81	7.12%	\$ 230.61	\$ 22.61	10.87%
Commercial	57	\$ 1,111.87	\$ 1,150.79	\$ 38.92	3.50%	\$ 1,191.07	\$ 79.19	7.12%	\$ 1,232.75	\$ 120.88	10.87%
Hospital	744	\$ 12,787.84	\$ 13,235.41	\$ 447.57	3.50%	\$ 13,698.65	\$ 910.81	7.12%	\$ 14,178.11	\$ 1,390.27	10.87%
School	681	\$ 12,345.74	\$ 12,777.85	\$ 432.10	3.50%	\$ 13,225.07	\$ 879.33	7.12%	\$ 13,687.95	\$ 1,342.20	10.87%
Lee Center	171	\$ 3,273.31	\$ 3,387.87	\$ 114.57	3.50%	\$ 3,506.45	\$ 233.14	7.12%	\$ 3,629.17	\$ 355.87	10.87%
Housing and Development	178	\$ 3,402.69	\$ 3,521.78	\$ 119.09	3.50%	\$ 3,645.05	\$ 242.36	7.12%	\$ 3,772.62	\$ 369.93	10.87%
Steam-Live	338	\$ 5,654.21	\$ 5,852.11	\$ 197.90	3.50%	\$ 6,056.93	\$ 402.72	7.12%	\$ 6,268.92	\$ 614.71	10.87%

  

Rate Class	Monthly Consumption (Winter or Average)	Current Rates	Proposed 2028 Rates			Proposed 2029 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential	10	\$ 208.00	\$ 238.68	\$ 30.68	14.8%	\$ 247.04	\$ 39.04	18.8%
Commercial	57	\$ 1,111.87	\$ 1,275.90	\$ 164.03	14.8%	\$ 1,320.56	\$ 208.68	18.8%
Hospital	744	\$ 12,787.84	\$ 14,674.34	\$ 1,886.50	14.8%	\$ 15,187.94	\$ 2,400.10	18.8%
School	681	\$ 12,345.74	\$ 14,167.03	\$ 1,821.28	14.8%	\$ 14,662.87	\$ 2,317.13	18.8%
Lee Center	171	\$ 3,273.31	\$ 3,756.20	\$ 482.89	14.8%	\$ 3,887.66	\$ 614.35	18.8%
Housing and Development	178	\$ 3,402.69	\$ 3,904.66	\$ 501.97	14.8%	\$ 4,041.33	\$ 638.64	18.8%
Steam-Live	338	\$ 5,654.21	\$ 6,488.33	\$ 834.13	14.8%	\$ 6,715.43	\$ 1,061.22	18.8%

The recommended steam rates for FY 2025–2029 are detailed in Appendix C.

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## Water Utility

### *Revenue requirement*

The revenue requirement identifies the necessary customer revenues to operate the water utility for FY 2025 – 2029.

The revenue requirement for FY 2025 – 2029 is shown in the following table:

**Table 16 – Water Revenue Requirement FY 2025 – 2029**

	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Operations and Maintenance	\$ 1,914,000	\$ 1,962,000	\$ 2,011,000	\$ 2,061,000	\$ 2,113,000
Depreciation	993,660	1,069,828	1,145,996	1,222,164	1,298,332
Return on Ratebase	1,728,900	1,675,409	1,618,109	1,557,001	1,492,084
<b>Total Revenue Requirement</b>	<b>\$ 4,636,560</b>	<b>\$ 4,707,237</b>	<b>\$ 4,775,105</b>	<b>\$ 4,840,165</b>	<b>\$ 4,903,416</b>

The revenue requirement increases slightly over the forecast period, with inflationary increases in operating expenses.

### *Operating income and return on ratebase*

A benchmark rate of return of 5% was used in developing the revenue requirement. A 5% return is based on the cost of debt and equity as of the date of this report.

The forecasted operating income and return on ratebase for FY 2025 – 2029 is shown in the following table. The forecast revenues are based on the recommended rate changes in Table 19.

**Table 17 – Water Operating Income and Return on Ratebase FY 2025 – 2029**

	<b>Forecasted</b>				
	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
<b>Operating Revenues</b>					
Customer Revenues	\$ 3,129,089	\$ 3,481,875	\$ 3,875,146	\$ 4,310,814	\$ 4,802,086
Other operating revenue	105,705	105,705	105,705	105,705	105,705
<b>Total Operating Revenues</b>	<b>\$ 3,234,794</b>	<b>\$ 3,587,580</b>	<b>\$ 3,980,851</b>	<b>\$ 4,416,519</b>	<b>\$ 4,907,791</b>
<b>Expenses</b>					
Operations and Maintenance	\$ 1,914,000	\$ 1,962,000	\$ 2,011,000	\$ 2,061,000	\$ 2,113,000
Depreciation	993,660	1,069,828	1,145,996	1,222,164	1,298,332
<b>Total Operating Expenses</b>	<b>\$ 2,907,660</b>	<b>\$ 3,031,828</b>	<b>\$ 3,156,996</b>	<b>\$ 3,283,164</b>	<b>\$ 3,411,332</b>
<b>Operating Income</b>	<b>\$ 327,134</b>	<b>\$ 555,752</b>	<b>\$ 823,855</b>	<b>\$ 1,133,355</b>	<b>\$ 1,496,459</b>
<b>Net Investment Ratebase</b>	<b>\$ 34,578,001</b>	<b>\$ 33,508,173</b>	<b>\$ 32,362,177</b>	<b>\$ 31,140,013</b>	<b>\$ 29,841,681</b>
<b>Rate of Return on Ratebase</b>	<b>0.95%</b>	<b>1.66%</b>	<b>2.55%</b>	<b>3.64%</b>	<b>5.01%</b>

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

The operating revenues are based on an annual increase in rates of 11.25%. By the end of FY 2029, the utility should attain a return of 5%, barring any major changes in operations or increases in depreciation and the net investment ratebase.

## ***Cost of service analysis***

The cost of service analysis was based on industry standards in allocating costs based on customer load curves. The cost of service detail is shown in the water rate model used to prepare this study. The results of the cost of service analysis shows that revenues from current rates are 65% below the cost of service. This varies by customer class as shown in the following table:

**Table 18 – Water Cost of Service Analysis**

	Forecasted Cost	Rate Classes		
		Residential	Multi-Unit	Commercial
Base	\$ 1,959,705	\$ 1,443,993	\$ 283,641	\$ 232,070
Max Day	1,057,454	794,073	155,979	107,402
Max Hour (System)	407,494	306,613	60,228	40,654
Max Hour (Distribution)	407,494	306,613	60,228	40,654
Equivalent Meters	431,198	300,545	67,698	62,955
Billing & Collection	385,014	284,525	64,297	36,191
Cost of Service	\$ 4,648,360	\$ 3,436,362	\$ 692,071	\$ 519,926
Revenue At Present Rates	2,821,228	2,070,798	433,103	317,327
Rate Change Required	\$ 1,827,132	\$ 1,365,564	\$ 258,968	\$ 202,599
Percent Change Required	65%	66%	60%	64%

## ***Proposed rate changes***

To move towards the cost of service, the recommended overall annual rate increases are shown in the following table:

**Table 19 – Recommended Rate Increases - Water**

Year	Rate Adjustment
2025	11.25%
2026	11.25%
2027	11.25%
2028	11.25%
2029	11.25%

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## *Customer rate comparisons at the proposed rates*

The following table shows the dollar and percentage changes in monthly customer bills at various levels of water consumption using the proposed rate changes in the previous table:

**Table 20 – Customer Rate Comparison at FY 2025 – 2029 Proposed Rates - Water**

Rate Class	Monthly Consumption (Average)	Current Rates	Proposed 2025 Rates			Proposed 2026 Rates			Proposed 2027 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential	6,000	\$ 41.30	\$ 45.70	\$ 4.40	10.65%	\$ 50.90	\$ 9.60	23.24%	\$ 56.40	\$ 15.10	36.56%
Residential	9,000	\$ 53.81	\$ 59.50	\$ 5.69	10.57%	\$ 66.20	\$ 12.39	23.03%	\$ 73.50	\$ 19.69	36.59%
Residential	15,000	\$ 79.91	\$ 88.30	\$ 8.39	10.50%	\$ 98.40	\$ 18.49	23.14%	\$ 109.30	\$ 29.39	36.78%
Commercial - 1" meter	6,000	\$ 61.37	\$ 68.21	\$ 6.84	11.15%	\$ 75.85	\$ 14.48	23.60%	\$ 84.65	\$ 23.28	37.93%

  

Rate Class	Monthly Consumption (Winter or Average)	Current Rates	Proposed 2028 Rates			Proposed 2029 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential	6,000	\$ 41.30	\$ 62.80	\$ 21.50	52.1%	\$ 70.10	\$ 28.80	69.7%
Residential	9,000	\$ 53.81	\$ 81.70	\$ 27.89	51.8%	\$ 91.10	\$ 37.29	69.3%
Residential	15,000	\$ 79.91	\$ 121.50	\$ 41.59	52.0%	\$ 135.50	\$ 55.59	69.6%
Commercial - 1" meter	6,000	\$ 61.37	\$ 94.02	\$ 32.65	53.2%	\$ 104.60	\$ 43.23	70.4%

The recommended water rates for FY 2025–2029 are detailed in Appendix D.

**HIBBING PUBLIC UTILITIES  
ELECTRIC, GAS, STEAM, AND WATER RATE STUDY**

**Appendices**

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# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## *Appendix A Proposed Electric Rates*

Rate Class	Current Rates		Proposed Rates				
	2024	2025	2026	2027	2028	2029	
<b>Residential and Senior Discount</b>							
Energy	\$ 0.14080	\$ 0.14840	\$ 0.15642	\$ 0.16486	\$ 0.17377	\$ 0.18315	
Customer Charge	\$ 12.26	\$ 12.92	\$ 13.62	\$ 14.35	\$ 15.13	\$ 15.95	
<b>Res Water Heating &amp; Electric Heat</b>							
Energy	\$ 0.14080	\$ 0.14840	\$ 0.15642	\$ 0.16486	\$ 0.17377	\$ 0.18315	
Customer Charge	\$ 12.26	\$ 12.92	\$ 13.62	\$ 14.35	\$ 15.13	\$ 15.95	
<b>General Service</b>							
Energy	\$ 0.13990	\$ 0.14745	\$ 0.15542	\$ 0.16381	\$ 0.17266	\$ 0.18198	
Customer Charge	\$ 13.15	\$ 13.86	\$ 14.61	\$ 15.40	\$ 16.23	\$ 17.11	
<b>Commercial - Small Power Service</b>							
Energy Charge	\$ 0.13100	\$ 0.13807	\$ 0.14553	\$ 0.15339	\$ 0.16167	\$ 0.17040	
Demand Charge							
8,000	\$ 12.90	\$ 13.60	\$ 14.34	\$ 15.11	\$ 15.93	\$ 16.79	
Over 8,000	\$ 11.29	\$ 11.90	\$ 12.54	\$ 13.22	\$ 13.93	\$ 14.69	
Customer Charge	\$ 20.50	\$ 21.61	\$ 22.77	\$ 24.00	\$ 25.30	\$ 26.67	
<b>Commercial - Power Service Rate</b>							
Energy	\$ 0.1287	\$ 0.1356	\$ 0.1430	\$ 0.1507	\$ 0.1588	\$ 0.1674	
Demand Charge	\$ 12.01	\$ 12.66	\$ 13.34	\$ 14.06	\$ 14.82	\$ 15.62	
Demand Flat	\$ 12.01	\$ 12.66	\$ 13.34	\$ 14.06	\$ 14.82	\$ 15.62	
Demand Deduction							
500	\$ (0.15)	\$ (0.15)	\$ (0.15)	\$ (0.15)	\$ (0.15)	\$ (0.15)	
Over 500	\$ (0.10)	\$ (0.10)	\$ (0.10)	\$ (0.10)	\$ (0.10)	\$ (0.10)	
Customer Charge	\$ 20.50	\$ 21.61	\$ 22.77	\$ 24.00	\$ 25.30	\$ 26.67	
<b>Commercial - Large Power Service</b>							
Energy Charge	\$ 0.1096	\$ 0.1155	\$ 0.1218	\$ 0.1283	\$ 0.1353	\$ 0.1426	
Demand Charge							
750	\$ 10.29	\$ 10.84	\$ 11.43	\$ 12.04	\$ 12.69	\$ 13.38	
Over 750	\$ 11.33	\$ 11.94	\$ 12.59	\$ 13.27	\$ 13.99	\$ 14.74	
Customer Charge	\$ 41.00	\$ 43.21	\$ 45.55	\$ 48.01	\$ 50.60	\$ 53.33	
<b>Security Lighting</b>							
Street Lighting							
100W HPS	\$ 14.25	\$ 15.02	\$ 15.83	\$ 16.68	\$ 17.59	\$ 18.54	
48W LED	\$ 14.25	\$ 15.02	\$ 15.83	\$ 16.68	\$ 17.59	\$ 18.54	
250W HPS	\$ 25.07	\$ 26.42	\$ 27.85	\$ 29.35	\$ 30.93	\$ 32.61	
133W LED	\$ 25.07	\$ 26.42	\$ 27.85	\$ 29.35	\$ 30.93	\$ 32.61	
Light Pole	\$ 9.88	\$ 10.41	\$ 10.98	\$ 11.57	\$ 12.19	\$ 12.85	
<b>Municipal Service Rate</b>							
Energy Charge	\$ 0.15460	\$ 0.16295	\$ 0.17175	\$ 0.18102	\$ 0.19080	\$ 0.20110	
Demand Charge	\$ 11.70	\$ 12.33	\$ 13.00	\$ 13.70	\$ 14.44	\$ 15.22	
Customer Charge	\$ 20.50	\$ 21.61	\$ 22.77	\$ 24.00	\$ 25.30	\$ 26.67	

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## *Appendix B Proposed Gas Rates*

Rate Class	Current Rates		Proposed Rates				
	2024	2025	2026	2027	2028	2029	
<b>Residential</b>							
Commodity Charge	\$ 0.91010	\$ 0.86915	\$ 0.83003	\$ 0.79268	\$ 0.75701	\$ 0.72295	
Customer Charge	\$ 10.76	\$ 10.76	\$ 10.76	\$ 10.76	\$ 10.76	\$ 10.76	
Purchased Gas Adjustment	\$ 0.1200	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Residential Heat</b>							
Commodity Charge	\$ 0.91010	\$ 0.86915	\$ 0.83003	\$ 0.79268	\$ 0.75701	\$ 0.72295	
Customer Charge	\$ 10.76	\$ 10.76	\$ 10.76	\$ 10.76	\$ 10.76	\$ 10.76	
Purchased Gas Adjustment	\$ 0.1200	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Commercial</b>							
Commodity Charge	\$ 0.91000	\$ 0.86905	\$ 0.82994	\$ 0.79260	\$ 0.75693	\$ 0.72287	
Customer Charge	\$ 15.14	\$ 15.14	\$ 15.14	\$ 15.14	\$ 15.14	\$ 15.14	
Purchased Gas Adjustment	\$ 0.1200	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Commercial Heat</b>							
Commodity Charge	\$ 0.91000	\$ 0.86905	\$ 0.82994	\$ 0.79260	\$ 0.75693	\$ 0.72287	
Customer Charge	\$ 15.14	\$ 15.14	\$ 15.14	\$ 15.14	\$ 15.14	\$ 15.14	
Purchased Gas Adjustment	\$ 0.1200	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Interruptible</b>							
Commodity Charge	\$ 0.77390	\$ 0.73907	\$ 0.70582	\$ 0.67405	\$ 0.64372	\$ 0.61475	
Customer Charge	\$ 58.97	\$ 58.97	\$ 58.97	\$ 58.97	\$ 58.97	\$ 58.97	
Purchased Gas Adjustment	\$ 0.1200	\$ -	\$ -	\$ -	\$ -	\$ -	



# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## *Appendix C Proposed Steam Rates*

Rate Class	Current Rates		Proposed Rates				
	2024	2025	2026	2027	2028	2029	
<b>Residential (15 psig)</b>							
Base Charge	\$ 22.57	\$ 23.36	\$ 24.18	\$ 25.02	\$ 25.90	\$ 26.81	
Winter (October - April) per M lbs.	\$ 19.05	\$ 19.72	\$ 20.41	\$ 21.12	\$ 21.86	\$ 22.63	
Summer (June - September) per M lbs.	\$ 22.86	\$ 23.66	\$ 24.49	\$ 25.35	\$ 26.23	\$ 27.15	
<b>Commerical/General Service (15 psig)</b>							
Base Charge	\$ 22.57	\$ 23.36	\$ 24.18	\$ 25.02	\$ 25.90	\$ 26.81	
Winter (October - April) per M lbs.	\$ 19.05	\$ 19.72	\$ 20.41	\$ 21.12	\$ 21.86	\$ 22.63	
Summer (June - September) per M lbs.	\$ 22.86	\$ 23.66	\$ 24.49	\$ 25.35	\$ 26.23	\$ 27.15	
<b>Live Steam (175 psig)</b>							
Base Charge	\$ 21.74	\$ 22.50	\$ 23.29	\$ 24.10	\$ 24.95	\$ 25.82	
All steam consumed	\$ 16.66	\$ 17.24	\$ 17.85	\$ 18.47	\$ 19.12	\$ 19.79	
<b>Health Services (15 psig)</b>							
Base Charge	\$ 22.23	\$ 23.01	\$ 23.81	\$ 24.65	\$ 25.51	\$ 26.40	
Winter (October - April) per M lbs. (1)	\$ 17.16	\$ 17.76	\$ 18.38	\$ 19.03	\$ 19.69	\$ 20.38	
Summer (June - September) per M lbs.	\$ 20.58	\$ 21.30	\$ 22.05	\$ 22.82	\$ 23.62	\$ 24.44	
<b>School District (15 psig)</b>							
Base Charge	\$ 22.23	\$ 23.01	\$ 23.81	\$ 24.65	\$ 25.51	\$ 26.40	
Winter (October - April) per M lbs. (2)	\$ 18.10	\$ 18.73	\$ 19.39	\$ 20.07	\$ 20.77	\$ 21.50	
Summer (June - September) per M lbs.	\$ 21.72	\$ 22.48	\$ 23.27	\$ 24.08	\$ 24.92	\$ 25.80	
<b>Lee Center (15 psig)</b>							
Base Charge	\$ 20.52	\$ 21.24	\$ 21.98	\$ 22.75	\$ 23.55	\$ 24.37	
All steam consumed	\$ 19.05	\$ 19.72	\$ 20.41	\$ 21.12	\$ 21.86	\$ 22.63	
<b>HRA (15 psig)</b>							
Base Charge	\$ 20.52	\$ 21.24	\$ 21.98	\$ 22.75	\$ 23.55	\$ 24.37	
All steam consumed	\$ 19.05	\$ 19.72	\$ 20.41	\$ 21.12	\$ 21.86	\$ 22.63	

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## *Appendix D Proposed Water Rates*

Rate Class	Current Rates		Proposed Rates				
	2024	2025	2026	2027	2028	2029	
<b>Single Family Residential</b>							
First 6,000 gallons	\$ 3.90	\$ 4.30	\$ 4.80	\$ 5.30	\$ 5.90	\$ 6.60	
Next 7,000 - 12,000 gallons	\$ 4.17	\$ 4.60	\$ 5.10	\$ 5.70	\$ 6.30	\$ 7.00	
Next 13,000 - 24,000 gallons	\$ 4.44	\$ 4.90	\$ 5.50	\$ 6.10	\$ 6.80	\$ 7.60	
Over 24,000 gallons	\$ 4.75	\$ 5.30	\$ 5.90	\$ 6.60	\$ 7.30	\$ 8.10	
Base Charge/Customer Charge	\$ 17.90	\$ 19.90	\$ 22.10	\$ 24.60	\$ 27.40	\$ 30.50	
<b>Multi Unit Residential</b>							
All Usage	\$ 4.05	\$ 4.50	\$ 5.00	\$ 5.60	\$ 6.20	\$ 6.90	
Base Charge/Customer Charge	\$ 17.90	\$ 19.90	\$ 22.10	\$ 24.60	\$ 27.40	\$ 30.50	
<b>Commercial</b>							
All Usage	\$ 4.05	\$ 4.50	\$ 5.00	\$ 5.60	\$ 6.20	\$ 6.90	
Base Charge/Customer Charge	\$ 17.90	\$ 19.91	\$ 22.15	\$ 24.65	\$ 27.42	\$ 30.50	
<b>Meter Charge:</b>							
1"	\$ 19.17	\$ 21.30	\$ 23.70	\$ 26.40	\$ 29.40	\$ 32.70	
1.5"	\$ 24.20	\$ 26.90	\$ 29.90	\$ 33.30	\$ 37.00	\$ 41.20	
2"	\$ 30.25	\$ 33.70	\$ 37.50	\$ 41.70	\$ 46.40	\$ 51.60	
3"	\$ 72.61	\$ 80.80	\$ 89.90	\$ 100.00	\$ 111.30	\$ 123.80	
4"	\$ 108.93	\$ 121.20	\$ 134.80	\$ 150.00	\$ 166.90	\$ 185.70	
6"	\$ 151.29	\$ 168.30	\$ 187.20	\$ 208.30	\$ 231.70	\$ 257.80	
<b>Wellhead</b>							
	\$ 1.69	\$ 1.90	\$ 2.11	\$ 2.35	\$ 2.62	\$ 2.91	

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## *Appendix E Customer Rate Comparison at FY 2025 – 2029 Proposed Rates*

<b>Small Residential</b>	<b>Consumption</b>	<b>Current Bill</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Electric - Residential & Senior Discount	53 kWh	\$ 19.75	\$ 20.81	\$ 21.94	\$ 23.12	\$ 24.37	\$ 25.69
Gas - Residential Heat	75 CCF	78.59	75.54	72.62	69.84	67.18	64.64
Steam - Residential	10 Mlbs	208.00	215.28	222.81	230.61	238.68	247.04
Water - Residential	6000 Gal	41.30	45.70	50.90	56.40	62.80	70.10
Total		\$ 347.64	\$ 357.33	\$ 368.27	\$ 379.97	\$ 393.03	\$ 407.47
Total % Increase			2.8%	3.1%	3.2%	3.4%	3.7%

<b>Commercial</b>	<b>Consumption</b>	<b>Current Bill</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Electric - Large Power	9,338 kWh	\$ 1,298.77	\$ 1,368.90	\$ 1,442.82	\$ 1,520.74	\$ 1,602.86	\$ 1,689.41
Gas - Commercial Heat	535 CCF	501.89	479.98	459.07	439.09	420.01	401.79
Steam - Commercial	57 Mlbs	1,111.87	1,150.79	1,191.07	1,232.75	1,275.90	1,320.56
Water - Commercial	6000 Gal	61.37	68.21	75.85	84.65	94.02	104.60
Total		\$ 2,973.90	\$ 3,067.89	\$ 3,168.81	\$ 3,277.23	\$ 3,392.79	\$ 3,516.36
Total % Increase			3.2%	3.3%	3.4%	3.5%	3.6%